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Iowa Farm Land Values Creep Up in 1962

by Dwight Maxon Gadsby

IOWA FARM land values were "moving" again in 1962! On Nov. 1, 1962, the average value of farm land in the state was \$241 per acre — up \$4 from the same date in 1961 — according to responses from 649 Iowa real estate brokers to the annual farm land values survey conducted by Iowa State University.

The 2-percent increase reported ended a stationary situation that had set in after land values fell sharply early in 1960. Value increases were the general rule in 1962, with only occasional "pocket areas" reporting value declines.

Of 503 brokers who replied to questionnaires for both 1961 and 1962, 165 reported increased land values in 1962 — more than offsetting the 100 brokers who reported decreases. On the other hand, 238 of the brokers who replied to the survey in both years reported no change between 1961 and 1962.

The main factor in the Iowa farm real estate picture still is farm enlargement. Other important factors include: a short supply of particular grades of land, contract sales, excellent crops and the government feed-grain program. The "anchors" on the ris-

ing values were: interested buyers who lacked sufficient capital, general indifference of investor buyers, higher tax expectations by both buyers and sellers, the continuing cost-price squeeze, high interest rates and general uncertainty.

Here, in more detail, are the major factors reported for value increases:

+ *Farm enlargement* — Consolidation of many smaller farms is still going on. Major value increases throughout the state were "underpinned" by the bidding up of the prices of adjoining land by farmers trying to gain larger units to spread their costs. Also, participation in the government feed-grain program has retired some acres and put pressure on operators to get more land to spread their overhead.

+ *Certain grades in short supply* — Brokers reported that buyers were becoming very selective. High grades of land were in great demand, but in very short supply. Medium and lower grades of land were being taken, but with less premium for sellers and better "buys" for buyers.

+ *Contract sales* — Contract sales usually were bringing more per acre than cash sales and often were "hitched" to sales for farm enlargement.

+ *Excellent crops* — Crops were excellent throughout the state and were reported as having an important influence on buyer optimism.

+ *Feed-grain program* — The government farm program was viewed as creating value-increasing effects, though many brokers expressed a feeling that buyers were uncertain and hesitant regarding the future farm program.

Here are the factors that brok-

ers thought were the anchors on the upward movement in values:

— *Capital shortages* — Brokers reported that many proposed sales "fell through" because potential buyers could not make a down payment.

— *Investor indifference* — After last summer's stock market slump, it was frequently reported that investors were about to re-enter the farm real estate market. But this was by no means a general view; as yet, off-farm investments appear to be yielding greater returns than farm land.

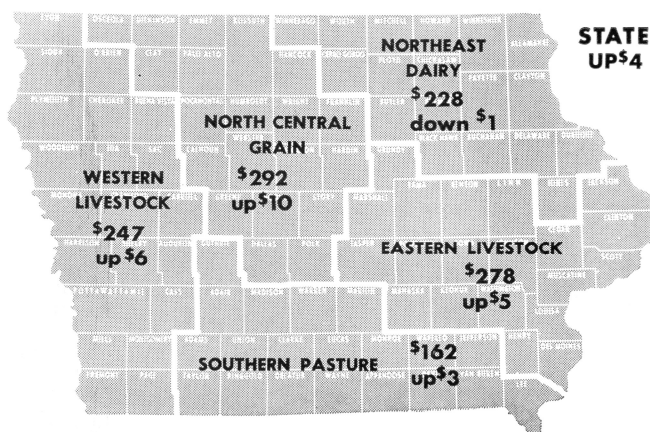
— *High taxes* — Higher tax expectations by both buyers and sellers "dampened" many prospective sales; many buyers and sellers seem to have a wait-and-see attitude.

— *Others* — The continuing cost-price squeeze, high interest rates in relation to expected returns and general uncertainty resulting from international tension and the stock market also were reported by brokers as having an unsettling effect on the land market.

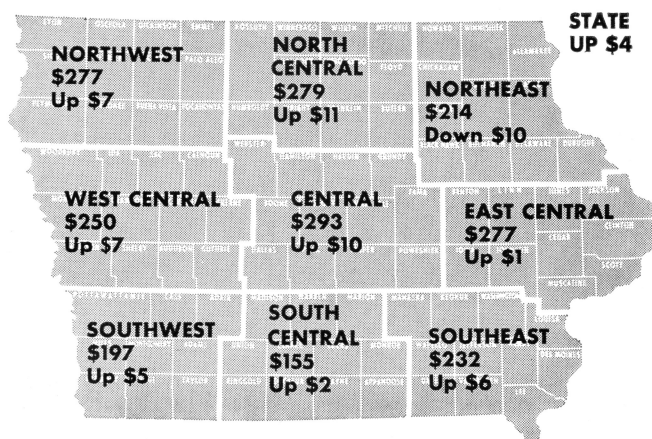
Situation Mixed: The most obvious factors at work in the market are fairly clear. But a great deal of uncertainty still clouds the picture. Farm enlargements and contract sales clearly helped produce a sellers' market. And the most obvious value-depressing forces were financing problems, investment indifference and high taxes. The depressing forces, however, weren't strong enough to prevent general value increases.

An Experiment: There are two area maps this year—one by state economic areas (map 1) and an-

MAP 1.



MAP 2.



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other by crop reporting districts (map 2). Tables 1 and 2 have the more detailed figures by economic areas, and table 3 shows average values for 3 years by crop reporting districts.

Regional Situations: Values by grades of land are summarized in the tables for each of the areas. Here are the situation summaries for each of the economic areas.

North-central grain: Farm values increased the most dramatically here, up \$10 an acre. Values of all grades increased. Medium grade rose \$14; high grade, \$8; and low grade, \$7. Farm enlargement was by far the most important force at work. One broker summarized the situation this way, "Four out of five farms are sold in one parcel to adjoining or neighboring farms. Neighborhood demand probably is the most important force in the sale of most of the land sold in this area." Other factors reported as increasing values were contract sales, few listings, excellent crops, and good grain and livestock prices; these overpowered the effects of capital shortages, high interest rates and general uncertainty.

Western livestock: Values in this area showed a strong upward trend—\$6 per acre. Brokers reported farm enlargement, few good listings, excellent crops, good commodity prices, a few disillusioned stock market investors, some FHA money and the effects of the feed-grain program as factors continuing last year's upward trend. One broker's summation: "Fewer farms are coming on the market because owners desire to hold on to them unless a higher price is offered. . . ." Financing difficulties were reported important in this area, too, but present taxes and future prospects following proposed school consolidation put a damper on further value increases.

Eastern livestock: Demand for land for farm enlargement and the demand for small acreages by commuting city workers and the semiretired helped to raise land values in this area by \$5 per acre. High- and medium-grade land were reported in most demand; each advanced \$6 per acre, with low-grade land increasing \$4. Some brokers reported that a few investors had re-entered the market, but that this hadn't been as important as improved livestock prices, good crops and the increased use of contract sales. Financing difficulties, high interest rates and real estate taxes were reported as holding back further value increases.

Southern pasture: Values in this area advanced \$3 per acre over 1961. Farm enlargement, good crops and cattle prices, and the feed-grain program were mentioned as price-increasing factors. A selective market was operating; many brokers reported difficulty in obtaining listings for high and medium grades and little demand for low-grade land. Brokers reported that higher cattle prices did increase demand for pasture land in

some areas. Increased prices for replacement units for land taken by the Red Rock Dam also had an effect on the market. Financing problems held down further value increases. As one broker put it, "Quite a lot of inquiries, but they don't seem to finish." Other factors reported as holding down value increases were high interest rates, taxes and the cost-price squeeze.

Northeast dairy: This is the only area to report a price decline—\$1 an acre.

All grades of land decreased slightly here. The factors reported at work were many, but financing, lower supports for dairy prices and "tight money" seemed to be the main culprits. Also, investor buyers were reported as completely out of the market. Over-all market activity was down. One broker summed it up: "Some farms were sold, but buyers bid less money. Some buyers were off the market because of high asking prices. Sellers refused to sell for offers."

TABLE 1. Average Value per Acre of Iowa Farm Land and Buildings, by Type of Farming Area, Nov. 1, for Years Listed.

Year as of Nov. 1	State average	Types of farming areas				
		Central grain	East livestock	West livestock	N.E. dairy	South pasture
1941	\$ 88	\$106	\$101	\$ 90	\$ 87	\$ 58
1945	140	168	167	148	118	98
1950	197	240	226	217	168	135
1955	215	270	242	231	190	140
1960	237	284	277	237	230	158
1961	237	282	273	241	229	159
1962	241	292	278	247	228	162

TABLE 2. Average Iowa Land Values by Grades of Land for Areas and Years Listed.

North-Central Grain Area				Northeast Dairy Area			
Year	Grade of Land			Year	Grade of Land		
	High	Medium	Low		High	Medium	Low
1941	\$135	\$108	\$ 75	1941	\$115	\$ 88	\$ 57
1945	218	170	116	1945	163	118	73
1950	324	241	155	1950	242	165	97
1955	365	273	173	1955	282	181	108
1960	379	286	187	1960	330	224	135
1961	381	281	185	1961	328	223	136
1962	389	295	192	1962	327	221	135
Eastern Livestock Area				Southern Pasture Area			
Year	Grade of Land			Year	Grade of Land		
	High	Medium	Low		High	Medium	Low
1941	\$141	\$104	\$ 58	1941	\$ 88	\$ 56	\$ 30
1945	248	161	93	1945	148	96	51
1950	335	220	123	1950	212	123	66
1955	380	229	116	1955	229	128	62
1960	419	266	145	1960	251	148	75
1961	410	265	143	1961	254	148	74
1962	416	271	147	1962	259	152	75
Western Livestock Area				STATE AVERAGES			
Year	Grade of Land			Year	Grade of Land		
	High	Medium	Low		High	Medium	Low
1941	\$120	\$ 94	\$ 57	1941	\$120	\$ 90	\$ 55
1945	203	149	93	1945	196	139	85
1950	306	214	130	1950	284	194	114
1955	333	224	135	1955	318	207	119
1960	340	234	137	1960	344	232	136
1961	345	238	139	1961	344	231	135
1962	354	244	144	1962	349	237	138

TABLE 3. Average Value per Acre of Iowa Farm Land and Buildings, by Crop Reporting Districts, Nov. 1, for Years Listed.

Year as of Nov. 1	Crop reporting districts								
	1 N.W.	2 N.C.	3 N.E.	4 W.C.	5 C.	6 E.C.	7 S.W.	8 S.C.	9 S.E.
1960	\$270	\$271	\$214	\$238	\$287	\$280	\$191	\$149	\$224
1961	270	268	224	243	283	276	192	153	226
1962	277	279	214	250	293	277	197	155	232